

**HOUSE INSURANCE COMMITTEE
RESPONSE TO FORMAL REQUEST FOR INFORMATION**

INTERIM CHARGE NO. 1-HB 259

**SUBMITTED BY THE
ASSOCIATION OF FIRE AND CASUALTY COMPANIES OF TEXAS (AFACT)**

WRITTEN COMMENTS:

BACKGROUND ON AFACT. AFACT is a trade association that provides advocacy and input on legislative and regulatory insurance issues important to the State of Texas. AFACT has been in business over 70 years and only operates in Texas. Its members are domestic or licensed property/casualty insurers who have a demonstrated interest in maintaining a solvent, competitive, and viable insurance market for Texas. AFACT members write most lines of property/casualty insurance including residential and commercial property insurance; liability insurance for individuals and business; personal and commercial automobile insurance; and workers compensation insurance products. AFACT members as competitors in the Texas insurance market do not discuss individual rates or practices of individual companies or groups that might violate the anti-trust laws. AFACT members file rates with the Texas Department of Insurance and also report data on premiums, claims and other data in order to allow the TDI to maintain and develop aggregate data from all insurers. Information in this submission does not include specific information from any individual company and only reflects general responses to its representatives who provide information to the Texas Legislature. AFACT expects the TDI should be able to provide aggregate industry data on the impact, if any, of HB 259 on the uninsured population in Texas.

SPECIFIC OBSERVATIONS AND COMMENTS ON IMPACT OF HB 259.

ISSUES ON POLICY AFFORDABILITY

EFFECTIVE DATE OF HB 259. HB 259 was effective for issued or renewed on and after January 1, 2020. Named driver policies could have been issued on either a 30 day, 6 month, or 1 year term. The Department of Insurance enforcement division required many named driver insurers to issue only 1 year policies. Thus, there could have been a number of 1 year named driver policies renewed before January 1, 2020, that may make it difficult to know if there will be any rate impact when the non-named driver policy is issued and also may make it difficult or premature to make any definitive conclusions on the impact of HB 259 on either premiums or uninsured population.

COVID. The impact of COVID also may make it difficult to draw precise conclusions about whether HB 259 itself has impacted pricing or the uninsured population. COVID has caused considerable changes that may make it difficult to make conclusions on whether HB 259 had an impact on affordability. Many insureds may be unemployed, driving less, purchasing less insurance, or benefiting from refunds, credits, or rate reductions offered by most auto insurers.

TEXAS IS A HIGHLY COMPETITIVE INSURANCE MARKET. None of AFACT members wrote named driver policies. AFACT members that provide coverage for personal and commercial auto policies also sell uninsured/underinsured motorist coverage (UM/UIM) to a large majority of their policyholders. AFACT was neutral on HB 259 and monitored this legislation because of concerns that some owners may not purchase liability insurance if named driver policies was repealed and this might cause an increase in the number of uninsured drivers in Texas.

Generally, opponents of HB 259 argued that the cost of insurance would increase for some owners who purchased named driver policies, which could cause an increase in the number of uninsured drivers. Proponents argued that all authorized users of an owner's vehicle, including family members whether named or unnamed, would be covered under the owner's liability policy and this may decrease the number of uninsured drivers.

AFACT cannot determine if the cost of insurance has increased for previous owners who purchased named driver policies. It is important for the Committee to remember that the Texas automobile insurance market is very competitive, and insureds frequently shop among competing insurers based on cost. An individual who previously purchased a named driver policy may have been able to find coverage with another insurer at competitive rates. Individuals who remained with the same carrier that previously issued the named driver policy may have had an increase even though this may vary among competing companies that used named driver policies. It is difficult to draw precise conclusions in this area for all insureds and hope the Committee will not overlook the ability of consumers to shop for auto insurance at competitive prices among different insurers.

IMPACT ON UNINSURED POPULATION. Some AFACT member companies reported that the number of Uninsured Motorist (UM) claims declined between 2018 and 2019. However, the annualized number of UM claims in 2020 has shown an increase over the number of UM claims received in 2019 and 2018. The trend in Underinsured Motorist (UIM) claims for this year was similar. The number of UIM claims in 2019 increased significantly over 2018 and 2020 annualized UIM claims are expected to exceed 2019. While insureds were driving less overall, the number of both UM and UIM claims this year has increased over the last two years. Other members have reported a slight decrease in UM claims in 2020 due primarily to less driving during the pandemic.

There are numerous reasons other than HB 259 or the pandemic why UM/UIM claims would increase or decrease. These reasons include developing and changing case law; a decline in economic results overall and the corresponding increase in the unemployment rate, particularly during COVID-1; and other reasons unrelated to HB 259.

For questions or other information, please contact:

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